Title: Guidelines for Income Verification and Rent Calculations   **No. 2.0**

Applicability: S+C and SHP Projects   **Date: 10/27/04**   **Rev: 11/22/05**

Reference: SHP/S+C Desk Guides, HUD Directive Number 96-3 (CPD-96-03)

Purpose: To insure accurate and HUD-compliant documentation, verification and calculation of tenant income, rent and project stipend payments.

Definitions: **Fair Market Rent (FMR):** The FMR is the upper limit on the amount of contract rent that can be paid using federal grant dollars. Amounts in excess of this limit cannot be paid with HUD funding and must therefore be paid by the tenant or other funding source.
The FMR is updated and published annually by HUD. The applicable FMR for each S+C or SHP grant is the FMR in publication at the time of application.

Implementation:

1. All HUD project sponsors will utilize a tenant rent and project stipend calculation format that complies with the above noted regulations.

2. All HUD project sponsors will maintain written documentation/verification of each resident's income source to be updated **annually**.

3. The rental calculation determines the tenant's rent obligation and the sponsors obligation or rental stipend.

4. Under no circumstances may the portion of the rent paid with grant funds exceed the HUD-determined fair market rents (see S+C/SHP Desk Guides).

5. Rental calculations must also be updated annually and at the following events:

    a. Change in family composition
    b. Change in family/resident income
    c. Change in residence
    d. Tenant request for re-examination

6. Tenant income decreases must result in an immediate adjustment to the tenant rental obligation and subsequent increase to the program rental obligation.

7. Tenant income increases need not result in an increase to their rental obligation until the next scheduled annual re-examination.

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8. The basic tenant rent calculation involves the following 4 step process:

    a. Calculate 10% of the monthly gross income. Subtract all exclusions and allowances as noted in the attached reference sheet divide by 12 months and multiply by .10.
    b. Calculate 30% of the monthly adjusted income by deducting the additional allowances listed in the attached reference sheet divide by 12 months and multiply by .30.
    c. Determine whether a welfare rent is applicable. If so, determine the amount.
    d. Tenant rent is the highest of the above three calculations.

9. The calculation format used by each sponsor may vary according to agency practices and needs but must, at a minimum, display the following elements:

    a. Tenant Income
    b. Income Exclusions
    c. Annual Gross Income
    d. Income Adjustments
    e. Income Allowances
    f. Amount of Contract Rent
    g. Utility Allowances (if applicable)
    h. Resident Rent Obligation
    i. Program Rent Obligation

10. Utility Payments: In some circumstances the cost of utilities is not included in the resident rent but is the responsibility of the tenant. In these circumstances the tenant rent will equal the calculated rent payment less an allowance for reasonable utility consumption.
    If the reasonable utility consumption cost exceeds the amount the tenant is to pay for rent, the tenant must be reimbursed for the difference.
    Reasonable utility costs should be determined through a local Public Housing Agency or through contact with local utility authorities.

11. Rent Reasonableness: It is the local practice that a rent reasonableness survey be conducted for all potential rental properties whose contract rent exceeds the Fair Market Rent (FMR). Documentation must include a comparison of similar properties in the same geographic area, usually offered by the same landlord. (See related Procedure on *Rent Reasonableness Determinations*)